

Message Text

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ACTION EUR-12

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FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 3386
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY HELSINKI
AMEMBASSY OSLO
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E.O. 11652: N/A
TAGS: ENRG, NO, SW
SUBJECT: SWEDEN OBTAINS FIRST GUARANTEE OF NORWEGIAN OIL FROM
PRIVATE CONSORTIUM

1. SWEDISH PRESS REPORTS OF MARCH 22 STATED THAT THE GOVERNMENT-OWNED OIL PURCHASING COMPANY SVENSKA PETROLEUM AB (SP) HAD REACHED AGREEMENT WITH THE PRIVATE NORWEGIAN OIL CONSORTIUM (NOCO) GUARANTEEING SWEDEN SOME SIX MILLION TONS OF CRUDE DURING THE 1980'S IN RETURN FOR A LOAN OF ABOUT ONE HUNDRED MILLION DOLLARS. THE AGREEMENT IS REPORTEDLY SUBJECT TO THE APPROVAL OF THE NORWEGIAN AND SWEDISH GOVERNMENTS.

2. NOCO, WHICH IS OWNED BY NORWEGIAN INDUSTRIAL, SHIPOWNING,
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AND INSURANCE INTERESTS, HAS A FOUR PERCENT SHARE IN THE TOR FIELD, WHICH WILL BE BROUGHT INTO PRODUCTION NEXT MONTH AND CONTAINS AN ESTIMATED 25 MILLION TONS OF CRUDE. NOCO ALSO HAS A 15 PERCENT SHARE IN THE VALHALL FIELD, CONTAINING AN ESTIMATED 33 MILLION TONS OF CRUDE, AND IT IS HERE THAT SP'S LOAN TO NOCO WILL BE UTILIZED TO SINK 24 PRODUCTION HOLES, ERECT THREE PRODUCTION PLATFORMS,

AND CONSTRUCT PIPELINE LINKS TO THE EKOFISH FIELD ABOUT 20 MILES TO THE NNW. THE OTHER INTERESTS IN THE VALHALL FIELD ARE AMOCO, AMERADA HESS, AND EASTERN TEXAS. NOCO'S TOTAL SHARE OF OIL PRODUCTION AT TOR AND VALHALL, ABOUT SIX MILLION TONS, WILL NOW BE GOING TO SP BY THE AGREEMENT.

3. SP, ACCORDING TO THE SWEDISH PRESS NOTICES, WILL BE BORROWING THE ROUGHLY 100 MILLION DOLLAR EQUIVALENT ON THE INTERNATIONAL MARKET AGAINST SWEDISH GOVERNMENT GUARANTEE. THIS WILL BE THE FIRST UTILIZATION OF THE FRAMEWORK OF TWO BILLION KRONOR (ABOUT 440 MILLION DOLLARS) SET BY THE SWEDISH PARLIAMENT FOR OIL PURCHASING GUARANTEES. SP'S LOAN TO NOCO WILL REPORTEDLY BE REPAID BY 1985 AND HAVE AS SECURITY NOCO'S TOTAL ASSETS IN THE NORTH SEA AREA. IN ADDITION TO ORDINARY INTEREST ON THE LOAN, THE PRESS NOTICES SAID THAT NOCO WILL ALSO BE PAYING SP AN EXTRA INTEREST LINKED TO NOCO'S OIL AND GAS PRODUCTION RESULTS, CALLING THIS INTEREST A KIND OF PROFIT SHARING.

4. THE AGREEMENT BETWEEN NOCO AND SP ALSO REPORTEDLY GIVES SP THE RIGHT TO PARTICIPATE IN FUTURE NOCO PROJECTS IN BLOCK 2/5, 2/8, 2/9, AND 2/11, ALL OF WHICH ARE WITHIN 30 MILES OF EKOFISH. WHAT IS CHARACTERIZED BY ONE PAPER AS THE MOST INTERESTING ASPECT OF THE UNCLASSIFIED

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NOCO-SP AGREEMENT IS THAT SP WILL ALSO HAVE THE OPTION OF TEN PERCENT OWNERSHIP IN BLOCK 2/9, WHERE THERE IS A GOOD CHANCE OF DISCOVERING OIL ACCORDING TO SP'S MANAGING DIRECTOR STURE AGVALD. THE FIRST HOLES WILL BE SUNK THERE, AT STANDARD NORTH SEA DEPTH, IN 1979, IT IS PLANNED.

5. COMMENT. THE EMBASSY IS NOT YET IN A POSITION TO COMMENT ON THE ACCURACY OF THE PRESS REPORTS. WHILE WE HOPE TO LEARN MORE, WE ALSO EXPECT THE TRADE WILL BE REPORTING THIS DEAL IN VARIOUS PUBLICATIONS LIKE NOROIL.
KENNEDY-MINOTT

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